

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7574

Petition of Green Mountain Power Corporation for)
approval of the Efficiency Fund 2010 Annual Plan)

Order entered: 1/4/2010

I. INTRODUCTION

In Docket 7213, the Public Service Board's ("Board") investigation into the acquisition of Green Mountain Power Corporation ("GMP") by the Northern New England Energy Corporation, the Board approved a plan by GMP to invest approximately \$9.3 million of windfall profits in demand-side management, renewable energy, and energy efficiency programs.¹ GMP referred to the money set aside for these purposes as the "Efficiency Fund."

On October 30, 2009, GMP filed its 2010 Annual Plan for the Residential Energy Services Program ("Residential Program") and Business Energy Services Program ("Business Program").² In this Order, the Board concludes that GMP's 2010 Annual Plan should be approved.

II. BACKGROUND

On March 14, 2008, the Board approved GMP's Efficiency Fund 2008 Annual Plan.³ On December 29, 2008, the Board approved the Evaluation and Verification Plan and associated budget for the five-year duration of the programs to be implemented under the Efficiency Fund.⁴ On March 27, 2009, the Board approved GMP's Efficiency Fund 2009 Annual Plan, which

1. GMP previously committed \$2.5 million of these funds to a low-income program and a transmission-class program. Docket 7213, Order of 3/26/07 at 4-5.

2. The activities contained in the 2010 Annual Plan are also referred to as "Year Three activities."

3. Docket 7412, Order of 3/14/08 at 3.

4. Docket 7412, Order of 12/29/08 at 2.

describes the activities for the second year of the Efficiency Fund activities ("Year Two activities").

The Board, after notice to parties in Docket 7213, conducted a workshop on December 16, 2009, to consider GMP's proposal. No issues were raised by the workshop participants.

In the 2010 Annual Plan, GMP states that it will continue to expand the existing business and residential services. GMP also indicates that it will continue to apply special emphasis on increasing residential electric benefits. GMP will introduce a "mutual-fund" approach to allocating benefits and costs for the Home Performance with Energy Star Initiative under the Residential Program. The mutual-fund approach was first approved by the Board in our Order regarding the 2009 Annual Plan and applied only to the Business Program.

The Home Performance with Energy Star mutual fund methodology will allow the GMP Efficiency Fund to share in the costs and benefits associated with the incremental GMP Efficiency Fund investment into the Efficiency Vermont program. These costs and benefits are over and above what would have occurred absent the GMP Efficiency Fund contributions. In 2010, 60% of costs and savings attributable to GMP customers participating in the Home Performance with Energy Star initiative will be allocated to the GMP Efficiency Fund.⁵ In the 2010 Annual Plan, GMP provides detailed calculations to support the determination of the mutual-fund allocations for both the Residential Program and the Business Program.

On December 23, 2009, the Department of Public Service ("Department") filed a letter stating that it supports GMP's approach to new services for the residential sector, including the mutual fund approach to allocate benefits and costs associated with services in the Home Performance with Energy Star Initiative. The Department further states that it is conducting an evaluation of the savings associated with Blue Line Power Cost Monitors, with preliminary results likely to be available by early February. The Department recommends that GMP and the Department consider how the results affect the projections in the annual plan, and if significant changes are necessary, then parties should file an addendum to the plan.

No other parties filed comments on the 2010 Annual Plan.

5. 2010 Annual Plan at 14.

III. FINDINGS

1. GMP proposes to implement the Year Three activities outlined in the 2010 Annual Plan through December 31, 2010. The Efficiency Fund programs will be coordinated with Efficiency Vermont's program planning and delivery, data management, and evaluation and verification activities. 2010 Annual Plan at 3.

2. GMP expects to issue its second Efficiency Fund Savings Claim Summary in April 2010. The report will summarize the highlights from Year Two activities. 2010 Annual Plan at 3.

3. No significant changes are proposed in the services to be offered under the Business Program for 2010. These services include high-efficiency upgrades as equipment reaches the end of its service life and retrofit efficiency improvements. 2010 Annual Plan at 4.

4. Benefits delivered under the Business Program will continue to be allocated to the Efficiency Fund through the mutual-fund approach. Under this approach, the Efficiency Fund's Business Program will claim 31% of those Efficiency Vermont Business Existing Facilities projects completed in GMP's service territory, outside of the areas geographically targeted by Efficiency Vermont. 2010 Annual Plan at 4.

5. In 2010, the Residential Program will continue three initiatives:

- A comprehensive, in-home, fuel-blind retrofit initiative ("In-Home Retrofit Initiative") that provides financial incentives for customers who install recommended measures. The Efficiency Fund will contribute 100% of the cost of directly-installed electric efficiency measures.
- Incentives on Blue Line⁶ real-time, end-use, monitoring devices, which enable customers to measure how much electricity each home product or appliance consumes.
- Energy-education workshops, combined with fundraisers using compact fluorescent lamps (CFLs), based on the Vermont Energy

6. Blue Line PowerCost Monitors are easy-to-install, high-tech devices that connect to the customer's electric meter and send a radio signal to an in-home display unit. The unit relays the real-time cost of electric use to the customer.

Education Program's curriculum in schools within the GMP service territory.

2010 Annual Plan at 5.

6. The In-Home Retrofit Initiative consists of the following components:

- GMP will invest in the expansion of Efficiency Vermont's Home Performance with Energy Star program in its service territory. GMP and Efficiency Vermont will share resources and savings through an allocation methodology modeled after the Business Existing Facilities mutual fund approach.
- GMP will continue to offer incentives for customers replacing oil and propane furnaces with high efficiency units and will also leverage the Home Performance with Energy Star program to target inefficient furnaces for replacement during the course of an in-home retrofit project.

2010 Annual Plan at 5-7.

7. Beginning in 2010, GMP will offer special rebate coupons for the replacement of inefficient refrigerators and clothes washers, and for the purchase of advanced power strips. These special rebate coupons will be available to Home Performance with Energy Star customers across the State, with costs and savings allocated to the Efficiency Fund according to the mutual-fund approach. 2010 Annual Plan at 9.

IV. DISCUSSION

We have determined that the 2010 Annual Plan provides sufficient benefits to GMP ratepayers to allow us to approve the plan.

GMP has not proposed any modifications to the services it provides to business customers. In our March 14, 2008, Order in Docket 7412, we approved GMP's plan for the implementation of services under the Business Program portion of the Efficiency Fund. We continue to find the Business Program plan to be acceptable.

In our March 14 Order, we approved the 2008 Annual Plan for Year One. However, we were concerned that the proposal would utilize electric ratepayer funds for non-electrical efficiency measures and that residential customers would not receive a proportionate share of savings. A portion of the 2009 budget was dedicated to research and development on new ways to provide GMP's residential customers with services and measures that focus on electric savings.

In the 2010 Annual Plan, GMP states that it investigated multiple electric efficiency measures and implementation strategies for these measures in the Home Performance with Energy Star program. The investigation led to the addition of two electric efficiency measures, clothes washers and advanced power strips, and a modification to the implementation strategy for two other measures, refrigerators and hot-air furnaces with efficient fan motors.⁷ When these electric efficiency opportunities are identified, Home Performance with Energy Star contractors will provide special rebate coupons that homeowners can redeem if they purchase and install efficient measures. The coupons will be available to Home Performance with Energy Star customers across the State, with costs and savings allocated to the GMP Efficiency Fund according to the Home Performance with Energy Star mutual-fund model.

We recognize that it is difficult for GMP to achieve savings for residential customers that supplements, rather than supplants, Efficiency Vermont services within GMP's service territory. We acknowledge GMP's continued efforts to address our concerns regarding increasing electric efficiency savings for residential customers. We are persuaded that the mutual-fund approach for allocating costs and savings associated with the Home Performance with Energy Star initiative is appropriate.

GMP reports that the overall portfolio of services funded by the GMP Efficiency Fund, and delivered by Efficiency Vermont, has generated more than \$3 million in net societal benefits to date.⁸ In the 2010 Annual Plan, GMP indicates that it has been monitoring the performance of individual initiatives and has focused on the results of the Home Performance with Energy Star program. GMP explains that the Home Performance with Energy Star initiative is generating positive net societal benefits overall; however, the initiative is achieving less than recent estimates for program performance. We recognize GMP's efforts to improve the benefits-to-costs ratio of the initiative by identifying new measures for electric efficiency and by implementing the mutual-fund cost allocation approach.

7. 2010 Annual Plan at 10.

8. 2010 Annual Plan at 11.

V. CONCLUSION

For the foregoing reasons, we approve GMP's Efficiency Fund 2010 Annual Plan.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Green Mountain Power Corporation's Efficiency Fund 2010 Annual Plan, filed on October 30, 2009, is approved.
2. Initiatives under Green Mountain Power Corporation's Efficiency Fund 2010 Annual Plan shall be implemented through December 31, 2010.

Dated at Montpelier, Vermont, this 4th day of January, 2010.

<u>s/James Volz</u>)	
)	
)	PUBLIC SERVICE
<u>s/David C. Coen</u>)	
)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: January 4, 2010

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.